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IN THE

# Supreme Court of the United States

October Term 1945.

No. 202

THE STANDARD REGISTER COMPANY,  
*Petitioner,*

*vs.*

AMERICAN SALES BOOK CO. INC.,  
*Respondent.*

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**PETITIONER'S REPLY TO RESPONDENT'S BRIEF  
IN OPPOSITION TO PETITION FOR CERTIORARI.**

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The brief opposing the petition for certiorari brings out quite clearly, we believe, the point that the present issue is one not heretofore decided by this Court. We ask the privilege of a few remarks on this point.

Respondent fails to take into consideration the following primary propositions:

1) Activity of a business concern in connection with a machine which it makes is not activity in connection with a *patent* on the machine. This is because a patent is a right of exclusion only, and gives no right to the business to make, sell and use its machine.

2) Decisions of the Courts relative to the misuse of patents relate to activity of a patentee in connection with its *patents* directed to *using* the patents *themselves* as a

mode of exclusion of competitors from a field not occupied by the patents themselves.

3) The present cause involved an attempt in good faith on the part of a patentee to gain advantage in its business from a *mechanism*, useful in connection with a commodity which the patentee makes and sells, *without using its patents* for that purpose.

4) The way in which the patentee, here, uses its mechanism to further its business, has frequently been held by this Court to be legal, and is not attacked by the respondent as being illegal.

5) The patentee here issues a license to users of its mechanism under its patent, and the way in which it makes certain that the patent cannot be considered as being used in any way to control business in the commodity in question, is to so state expressly in the license.

The factual situation bearing on the above propositions, as revealed by the briefs of petitioner and respondent, may be summarized as follows:

(a) It is quite obvious that what petitioner attempted to do was to benefit its business in its continuous business forms by virtue of a mechanical device that it had worked out which was designed to provide an accurate feed of its forms in various types of bookkeeping and typewriting machines. It attempted to protect its devices by patents, and the present inquiry concerns what petitioner did with its *patents*, not what it did with its *mechanical device*. Respondent does not charge, nor could it do so on the record, that petitioner had ever conducted any campaign whatever wherein its patents were used as the basis of threats to continuous form users. In this important factor, the present case is *sui generis* over any of the preceding cases in this Court. Thus, the record in the *Morton Salt v. Sup-*

*piger* case, 314 U. S. 488, was replete with letters showing an effort to bring to bear the force and effect of patents on tablet dispensers in the salt tablet business. See, also, the course of activity in the case of *B. B. Chemical Co. v. Ellis*, 314 U. S. 495. It is further significant that no charge whatever is made that petitioner was not ready and willing to license respondent and its other competitors under its patents for a reasonable consideration. Indeed it has been and is quite willing to do so.

(b) The only charge by respondent is that petitioner required the loan agreements which are set forth in full in the record. It is quite evident that these loan agreements were so worked out as to (1) fail to require any covenant on the part of the loanee to refrain from using continuous forms of other makers with the loaned paper feeding device of the petitioner, and (2) to include a license under only those of a group of patents included in an attached schedule which applied to the particular loaned device, and (3) at the same time to eliminate any idea on the part of the loanee that because these patents were included and licensed, this placed any duty on the loanee to observe any conditions in connection with its use of continuous forms of others in any way, or in connection with its use of feeding devices of others in any way. Respondent says that the clause "But nothing herein shall be deemed to restrict—purchase of continuous—material from others—or limit—purchase, lease or license of feed aligning devices of others—", does not cure "the objectionable features" of the License.

This is clearly wrong. The effect was to avoid a charge that *patents* were being used to influence the purchase of continuous forms, because this proviso in the leases directly eliminated patents as a restrictive element.

(c) It is very clear that the loanee incurred but one obligation as to whatever patents on the schedule attached to the loan agreement might apply to the device loaned, viz: to respect their validity. The District Court held this to be within the law. The Court of Appeals did not comment on this point in affirming the District Court, ignoring respondent's contentions. This validity covenant is thus not really before the Court on the present petition, since respondent is not seeking review on this ground.

(d) The reasoning of this Court in the *Morton Salt* case (*supra*) was that such covenants as appeared in the license agreements in *that* case were not enforceable, in accordance with the *Motion Pictures Patent* case, 243 U. S. 502. Accordingly, the Court held that the patents behind such covenants would not be entertained in infringement suits by the Courts on the ground of public policy. But here the respondent does not charge that there was any covenant which could be enforced. The loan agreements here simply required that if the loanee ceased to buy a certain minimum of paper from the Owner, then right to continue to use the feeding device was concluded. Also, if the device was used with material not purchased from the Owner, the same situation would apply. The petitioner acquired no right of action by virtue of the loan agreement to prohibit the use of the device with forms supplied by another. Neither did it acquire any right to sue for patent infringement in such event, for one reason because such a right was unequivocally disclaimed.

Since all competitors had feeding attachments of their own, built to take paper having other kinds of holes in it adapted to their feeding devices, and no one was making paper adapted to Petitioner's feeding devices (albeit they could have done so), there was no compulsion whatever in

the agreements so far as concerned the purchase of continuous forms.

(c) We showed in our brief on the present petition (and respondent has not answered our showing)—THAT OWNING PATENTS ON THE FEEDING DEVICE IS THE SOLE BASIS OF THE CHARGE OF LEGAL WRONG AGAINST PETITIONER. Respondent says that what petitioner did that was wrong was to loan its device on the basis that the loan was over unless a certain small amount of paper was continuously purchased from the owner, or paper of others was used over the device. Both of these aspects of the loan were not illegal at all. The loan agreements contained no contractual obligation enforceable against the User except to return the device. Respondent says:

“Thereby, petitioner, by its patents on the device sought to control or affect purchases of unpatented paper.”

But the only way in which the *patents* were said to have been *used* was that the loan included a license under the patents. Respondent refused to discuss the point that the agreements as worded did not constitute a *use* by petitioner of its *patents* in controlling anything whatever.

The Court of Appeals in its decision shows perfectly clearly that it considered the conduct of petitioner to be otherwise perfectly legal so far as its control of the feeding devices was concerned, and only illegal because petitioner had a patent on the device and purported to grant a license thereunder in the loan agreement.

The Court, having first observed that it was significant that others could have, although there was no showing that any others ever had, furnished papers which would work with the patentee's device, said:

“The contention that the patentee is not using his patents to force the lessee to use his paper is met by



the fact that the lessee cannot obtain the use of the platen unless he uses the plaintiff's paper and the plaintiff's paper only with that platen."

The conduct involved in permitting the use of the platen as an adjunct to the sale of paper is not said to be bad, but it is said to be a mis-use of the *patent* on the platen to do so, i. e., the fact that a *patent* was owned on the device made the practice of the plaintiff bad, whereas otherwise it would be good.

What we have here is a conscientious attempt to stay clear of "mis-use" of patents, and at the same time not throw away the value of the patent monopoly. It is clear that American business would try to do this, and we earnestly pray this Court to pass on the proposition of whether or not the petitioner has succeeded in doing so in the present case.

### ***Conclusion.***

***Petitioner earnestly prays that its petition for writ of certiorari be granted.***

Respectfully submitted,

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